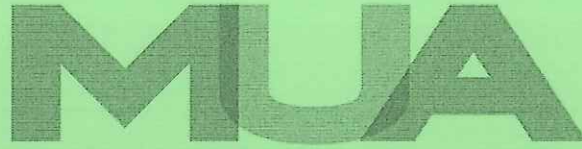


The
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POST GRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF MASTER OF MANAGEMENT AND LEADERSHIP

MML 5108: CORPORATE GOVERNANCE

DATE: 10TH APRIL 2018

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is **compulsory**.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

Corporate governance issues surrounding the independence and conflict of interest within the board in Molem International following the successive resignations of its Managing Director, Following the revelations of these corporate governance issues, the company's share price fell from \$0.37 in July to close at an all time low of \$0.27 at the end of November the same year. In the same year Molem International suspended the trading of shares in the face of financial woes affecting

Molem Internatioanl is faced with serious problems such as rapidly deteriorating operating cash flow problems and a breach of financial covenants relating to the bonds it issued. This has led a substantial shareholder to propose the removal of directors on the basis that the directors had not acted in the best interests of the company.

The investigators have uncovered a scandal where the Manging director devised a scheme where to supply confidential Molem Internatioanl information to suppliers. The confidential information exchanged included product forecasts, pricing targets and product specifications. The information enabled these suppliers to gain an upper hand against competing suppliers in bids for contracts with Molem International. In return, the Manging director was to receive kickback payments from the suppliers, determined as a percentage of the businesses they did with Molem International

Communication about kickback payments was done through the MD personal Hotmail and Gmail accounts on his Molem Internatioanl -supplied laptop. Certain code words were used to avoid any suspicion in case others chanced upon their correspondence – the code word “sample” was used to refer to a kickback payment. “Consulting services” contracts were also structured with one of the suppliers involved, so as to mask the nature of the kickback payments.

The MD instructed the suppliers to make payments via wire transfer to a bank account that was opened under his wife's name. Increasingly worried that accumulation of a

large sum of money in one account would attract the attention of banks or regulatory authorities, The MD then set up multiple bank accounts in different countries under his wife's name, and directed some payments to those accounts. He also made it clear to the suppliers involved that each wire transfer payment must not exceed US \$10,000.

Required:

- a) Basing your argument on the crises experienced by Molem International discuss how good corporate governance can solve corporate governance problems.
(12 Marks)
- b) Discuss how you would use your acquired corporate governance skills to address the governance challenges of Molem International. (12 Marks)
- c) Basing your argument on the Molem International scandal discuss what could be the role of the board in defining organisation's ethical environment (6 Marks)

QUESTION 2

- a) With relevant examples demonstrate the usefulness of corporate behavior in ensuring growth of an organization (7Marks)
- b) Discuss the relevance of corporate principles in strengthening performance of corporations. (8 Marks)

QUESTION 3

- a) Discuss what entails efficient implementation of strategies in an organization. (8 Marks)
- b) With relevant examples justify the rationale for corporate governance discipline (7Marks)

QUESTION 4

- a) Evaluate the usefulness of corporate communication in modern day running of corporations (7 Marks)
- b) With relevant examples discuss the practice that demonstrates corporate responsibility in the running of corporations. (8 Marks)

